



Summary of Financial Results for the First Quarter Ended June 30, 2008

Mitsui Chemicals, Inc. (4183)

I. Consolidated Financial Results (April 1, 2008 – June 30, 2008)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents			
	First Quarter ended June 30,			
	2008	%	2007	%
Net Sales.....	453,925	—	441,239	9.8
Operating Income	20,691	—	25,080	49.7
Recurring Income.....	25,032	—	28,009	46.7
Net Income	15,233	—	18,056	102.7
Net Income per Share (yen).....	19.79		23.41	
Net Income per Share, diluted (yen).....	—		—	

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	First Quarter ended June 30,	FY ended March 31,
	2008	2008
Total Assets	1,465,609	1,469,248
Net Assets.....	568,563	564,227
Shareholders' Equity Ratio	34.6%	34.0%
Shareholders' Equity per Share (yen).....	658.39	649.63
Note: Equity:	Fiscal quarter ended June 30, 2008	506,734 million yen
	Fiscal year ended March 31, 2008	500,044 million yen



2. Dividends

	Fiscal year ended March 31,		
	2008	2009	2009 (forecast)
Annual Dividends per Share			
First quarter (yen)	—	—	—
Interim (yen)	6.00	—	6.00
Third quarter (yen)	—	—	—
End of year (yen)	6.00	—	7.00
Annual Dividends (yen)	12.00	—	13.00

* Revisions to dividend forecast in the quarter: None

3. Outlook for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

Consolidated	Millions of Yen - Except Per Share Data and Percents			
	First Half	%	Full Year	%
Net Sales	940,000	—	1,960,000	9.7
Operating Income	16,000	—	45,000	(41.7)
Recurring Income	20,000	—	48,000	(27.4)
Net Income	10,000	—	22,000	(11.4)
Net Income per Share (yen)	12.99		28.58	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

* Revisions to financial forecast in the quarter: Yes



III. Operating Results and Financial Position

1. Operating Results

Severe business conditions persisted for the chemical industry as already high prices for raw materials rose yet further.

Facing these conditions, the Mitsui Chemicals Group achieved the following operating results.

(Units: Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
First Quarter of the Current Fiscal Year	453.9	20.7	25.0	15.2
First Quarter of the Previous Fiscal Year	441.2	25.1	28.0	18.1
Change	12.7	(4.4)	(3.0)	(2.9)
Change (%)	2.9%	(17.5)%	(10.6)%	(15.6)%

Sales rose 2.9% over the first quarter in the previous fiscal year (the “previous term”) to 453.9 billion yen, an increase of 12.7 billion yen. This was achieved through 29.9 billion yen in benefits from raising product prices amidst the rising prices for raw materials such as naphtha and price hikes achieved as conditions in overseas markets improved, despite the negative impact of a 17.2 billion yen decline in unit volume sold.

Despite product price revisions and higher overseas market prices, sharp increases in naphtha, other raw material and fuel prices, and higher fixed costs, including depreciation and repair expenses, significantly increased cost of goods sold. As a result, **operating income** declined 4.4 billion yen, a 17.5% decrease from the previous term, to 20.7 billion yen.

Recurring income declined by 3.0 billion yen from the previous term to 25.0 billion yen, a 10.6% decrease, due to an increase in non-operating income of 1.4 billion yen compared with the previous term. The increase in non-operating income was due to increases in dividend income and currency conversion gains.

These factors resulted in **Return on Sales (ROS)** of 5.5%.

Extraordinary income was 0.1 billion yen, owing to such factors as a profit on the sale of fixed assets. However, **extraordinary expenses** of 0.5 billion yen were incurred as a result of 0.4 billion in losses on the disposal and sale of fixed assets. As a result, net extraordinary losses were 0.4 billion yen, representing a decrease in income of 1.7 billion yen compared with the previous term.

These factors resulted in **net income before taxes** of 24.6 billion yen, a decrease of 4.7 billion yen as compared with the previous term.

Net income after the deduction of corporate taxes and minority interest declined by 2.9 billion yen compared with the previous term to 15.2 billion yen, a 15.6% decrease. Net income per share for the period was 19.79 yen.

Performance Materials

Sales of **automotive and industrial materials** such as ethylene propylene rubber and alpha olefin copolymer were strong as a result of growth in domestic demand as well as steady progress in developing the market for elastomers, new clients, particularly those in the Asia, and growth in domestic demand.

Sales of **industrial materials** were strong, due in most part to good sales performance for base resin for paints used on thermal recording paper and for use in cell phones and automobiles.

Sales of **hygiene materials** were strong as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets.



Specialty Polyolefin and Engineering Plastics saw growth in demand, mainly for electronic component related uses.

Semiconductor material sales weakened, as price declines offset relatively strong demand in the semiconductor and liquid crystal display markets.

Sales of **energy materials** were stronger following robust demand for solar cell sealing materials.

Polyurethanes sales were strong with improved pricing and stronger demand for TDI in East and Southeast Asia and an increase in sales for new environmentally-friendly products related to paints and adhesives.

These factors contributed to a 7.5 billion yen increase in segment sales over the previous term to 126.3 billion yen, comprising 28% of total sales.

Despite group efforts to achieve cost reductions, operating income declined 2.5 billion yen to 5.6 billion yen, attributable to sharp increases in raw material and fuel prices.

Advanced Chemicals

Healthcare materials such as **ophthalmic lenses** and pharmaceutical intermediates showed steady growth in the term, lacked by sound sales.

Chemical products such as polymerization inhibitors, and adhesive materials for tires and lumber saw growth in sales due to product price revisions in the face of rising prices for raw materials. However, this was unable to fully cover the rise in costs.

Agrochemical products recorded growth in sales with an increase in sales of insecticide.

The above factors resulted in segment sales of 31.4 billion yen, an increase of 2 billion yen over the previous term, comprising 7% of total sales. Despite steep rises in the prices of raw materials, operating income rose 0.5 billion yen to 3.8 billion yen attributable to strong sales of insecticide.

Basic Chemicals

Ethylene and propylene remained level with the previous term with the ethylene plant operating near capacity to satisfy healthy demand from Japan and overseas.

Phenol sales declined as supply of the same brand shifted from external sales to internal consumption since shares of the affiliated company GE Plastics Japan Ltd. were sold off and the company's bisphenol A plant was purchased.

Bisphenol A sales increased with robust demand in the Asian market.

PTA (purified terephthalic acid) sales declined with sluggish conditions in the Chinese market.

PET resins (polyethylene terephthalate) sales declined with modest demand due to unseasonable weather in Japan.

Ethylene glycol, ethylene oxide and derivatives sales increased with price revisions in the face of rapidly rising raw material prices.

Polyethylene and polypropylene also increased following price revisions in response to rapidly rising raw material prices. This did not fully cover the rise in costs, however.

The above factors resulted in segment sales of 289.5 billion yen, an increase of 9.6 billion yen over the previous term, comprising 64% of total sales. Operating incomes fell 1.7 billion yen year on year to 12.4 billion yen following price revisions in the face of rapidly rising raw material prices.



Others

As a result of the same factors above, sales in this segment fell 6.4 billion yen year on year to 6.7 billion yen, accounting for 1% of total sales. Operating income for the term declined by 0.5 billion yen to 0.2 billion yen.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the first quarter decreased by 3.6 billion yen over the end of the previous first quarter to 1,465.6 billion yen.

Total liabilities at the end of the quarter decreased by 8.0 billion yen from the end of the previous period to 897.0 billion yen. **Interest-bearing debt** comprised 504.8 billion yen, an increase of 18.8 billion yen. As a result, the interest-bearing debt ratio increased 1.3 points from the end of the previous fiscal year to 34.4%.

Net assets as of the end of the fiscal period were 568.6 billion yen, an increase of 4.3 billion yen over the previous period. The **ratio of shareholders' equity to total assets** was 34.6%, a 0.6 point improvement from the end of the previous period.

These factors contributed to a **debt-equity ratio** of 1.00 as of the end of the first quarter, a 0.03 point increase on the end of previous period.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased by 6.6 billion yen to 32.1 billion yen at the end of the first quarter.

Cash Flow from Operating Activities

Cash inflow from operating activities during the first quarter was 8.4 billion yen, a decrease of 13.7 billion yen from the previous term. The year-on-year decline was the result of various factors including net income before income taxes falling and working capital increasing dramatically due to an increase in accounts receivable, although tax payments declined.

Cash Flow from Investment Activities

Cash outflow for investment activities during the first quarter was 21.9 billion yen, an increase of 8.5 billion yen from the previous term. The year-on-year increase was due to various factors including a decrease in revenue from the disposal of investment securities and fixed assets.

Cash Flow from Financing Activities

Cash flow provided from financing activities during the first quarter was 21.9 billion yen, due to fund procurement by interest-bearing debt. Cash flow used in financing activities in the previous term was 10.9 billion yen, due to repayment of interest-bearing liabilities.



3. Outlook for the Fiscal Year Ending March 31, 2009

(1) Overall Outlook for Operating Results

Consolidated earnings projections for the second quarter and full fiscal year announced on May 9, 2008, were revised downward as discussed below and as noted in the *Revised Consolidated Financial Performance Outlook* released on July 31, 2008.

Taking into consideration future uncertainty and trends in crude oil prices, the revisions to consolidated earnings projections were based on the following assumptions: exchange rate of 105 yen/dollar, average price of domestic naphtha for the full fiscal year of 86,730 yen/kl, (70,900 yen/kl from April through June, 90,000 yen/kl from July through September, and 93,000 yen/kl from October through March).

Under these conditions, it is projected that operating income for the second quarter and full fiscal year will decline more than projected previously since the terms of trade for the basic chemical products department will deteriorate, although efforts are being made to revise product prices as a result of the sudden jump in the price of raw materials, such as naphtha.

(Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
Interim FY2008	940.0	16.0	20.0	10.0
Full FY 2008	1,960.0	45.0	48.0	22.0

(2) Outlook by Business Segment

(Billions of Yen)

Net Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
Interim FY2008	270.0	60.0	600.0	10.0		940.0
Full FY 2008	550.0	130.0	1,260.0	20.0		1,960.0

(Billions of Yen)

Operating Income						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
Interim FY2008	10.0	5.0	2.0	2.0	(3.0)	16.0
Full FY 2008	27.0	13.0	7.0	4.0	(6.0)	45.0



IV. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen	
	As of June 30, 2008	As of March 31, 2008
Assets		
Current Assets	738,329	726,361
Fixed Assets	727,280	742,887
Total Assets	1,465,609	1,469,248
Liabilities		
Current Liabilities	547,437	569,560
Long-term Liabilities	349,609	335,461
Total Liabilities	897,046	905,021
Net Assets		
Shareholders' Equity		
Common stock	103,226	103,226
Capital surplus	69,238	69,238
Retained earnings	336,948	326,932
Treasury stock, at cost	(19,856)	(19,826)
Total Shareholders' Equity	489,554	479,570
Valuation and Translation Adjustments		
Net unrealized holding gain on securities	26,730	19,125
Net unrealized holding gain on hedging derivatives	(127)	39
Foreign currency translation adjustments	(9,423)	1,310
Total Valuation and Translation Adjustments	17,180	20,474
Minority Interests	61,829	64,183
Total Net Assets	568,563	564,227
Total Liabilities and Net Assets	1,465,609	1,469,248



2. Consolidated Statement of Income (Summary)

(Millions of Yen)

	April 1, 2008 to June 30, 2008
Net Sales	453,925
Cost of sales	384,227
Gross Profit	69,698
Selling, general and administrative expenses	49,007
Operating Income	20,691
Non-operating Income and Expenses	
Non-operating Income	
Interest income	105
Dividend income	1,262
Rent income	219
Equity in earnings of non-consolidated subsidiaries and affiliates	1,487
Net gain on foreign currency transactions	3,895
Other, net	1,188
Total non-operating Income	8,156
Non-operating Expenses	
Interest expense	2,062
Commercial paper interest paid	139
Other expenses	1,614
Total non-operating Expenses	3,815
Recurring Income	25,032
Extraordinary Gain	
Gain on sale of fixed assets	82
Gain on sale of investment securities	11
Total extraordinary gains	93
Extraordinary Loss	
Loss on disposal of fixed assets	285
Loss on sale of fixed assets	80
Loss on related activities	100
Others	22
Total extraordinary losses	487
Net Income Before Income Taxes	24,638
Corporate Income Taxes	8,143
Minority Interest in Net Income of Consolidated Subsidiaries	1,262
Net Income	15,233



3. Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	April 1, 2008 to June 30, 2008
I. Cash flows from operating activities	8,381
II. Cash flows from investing activities	(21,861)
III. Cash flows from financing activities	21,890
IV. Effect of exchange rate changes on cash and cash equivalents	(1,861)
V. Net increase in cash and cash equivalents	6,549
VI. Cash and cash equivalents at beginning of period	25,502
VII. Increase (decrease) in cash and cash equivalents resulting from changes of scope of consolidation	81
VIII. Cash and cash equivalents at end of period	32,132



4. Segment Information

Business Segment Information

Current first quarter (April 1 – June 30, 2008)

(Millions of Yen)

	Performance Materials	Advanced Chemicals	Basic Chemicals	Other	Total	Elimination / corporate	Consolidated
Sales							
(1) Sales from external clients	126,318	31,400	289,551	6,656	453,925	—	453,925
(2) Internal sales or transfer between segment	4,814	786	40,162	20,515	66,277	(66,277)	—
Total	131,132	32,186	329,713	27,171	520,202	(66,277)	453,925
Operating income	5,565	3,764	12,433	220	21,982	(1,291)	20,691

Regional Segment Information

Current first quarter (April 1 – June 30, 2008)

(Millions of Yen)

	Japan	Asia	Others	Total	Elimination	Consolidated
Sales						
(1) Sales from external clients	374,253	54,413	25,259	453,925	—	453,925
(2) Internal sales or transfer between segment	17,091	17,542	208	34,841	(34,841)	—
Total	391,344	71,955	25,467	488,766	(34,841)	453,925
Operating income	18,339	1,492	812	20,643	48	20,691

Overseas Sales

Current first quarter (April 1 – June 30, 2008)

	Asia	North America	Europe	Other	Total
I. Overseas sales (Millions of Yen)	128,977	19,501	15,486	3,463	167,427
II. Consolidated sales (Millions of Yen)					453,925
III. Overseas sales as a percentage of consolidated sales (%)	28.4	4.3	3.4	0.8	36.9